

Guide to making a submission on Australia Post's proposal to increase prices

On 31 January 2014, Australia Post provided the ACCC with a plan to increase the basic postage rate (BPR) from 60 cents to 70 cents as well as price increases for other large ordinary letter services from 31 March 2014. For consumers with an Australian Government concession card, Australia Post plans to freeze the price of a basic stamp at 60 cents until 2017.

The ACCC's role is to assess Australia Post's proposed price increases, taking into account how efficient Australia Post is in managing its costs and whether the forecast declines in mail volumes are reasonable. In reaching its view the ACCC considers information provided by Australia Post, and views of industry stakeholders and consumers.

To assist the ACCC's consideration of the proposal, submissions are invited from interested parties on key issues outlined at [Attachment A](#).

The ACCC prefers that all submissions are publicly available. Submissions will be treated as public documents and will be posted on the ACCC's website unless prior arrangements are made with the ACCC to treat a submission, or portions of a submission, as confidential.

The ACCC will accept submissions by email or by post. It is preferred that submissions be made by email. If submissions are provided in PDF format, parties are asked, for accessibility reasons, to also provide a copy in Microsoft Word format.

Submissions should be provided to the ACCC no later than close of business 10 February 2014.

Submissions should be addressed to:

By email:

postalservices@acc.gov.au

By post:

Mr Matthew Schroder
General Manager—Fuel, Transport and Prices Oversight
Australian Competition and Consumer Commission
GPO Box 520
MELBOURNE VIC 3001

The Australia Post pricing proposal is available on the ACCC's website at: www.accc.gov.au/regulated-infrastructure/postal-services. Public submissions and the ACCC decision will also be made available at that link.

[Attachment A: Key issues on which ACCC is seeking comment](#)

1. Australia Post's forecast demand (see section 5 of Australia Post's pricing proposal)

The ACCC seeks comments on Australia Post's forecasts of reserved letter volumes for 2013-14 and 2014-15.

Forecasts of demand are used by the ACCC to assess whether proposed prices for the monopoly service are expected to achieve revenue sufficient to recover costs, without providing excessive returns.

Australia Post's demand forecasts are based on an econometric model that is augmented for factors not included in the model such as the impact of electronic substitution on small ordinary letters.

Table 1 displays Australia Post's forecast changes in its reserved letter volumes in 2013-14 to 2014-15. These amount to an average reduction in reserved service letter volumes of 6.7 per cent each year.

Table 1 – Australia Post's forecast changes in its reserved services letters volume

	Presort letters (Business Mail)	Ordinary letters	Total Reserved Services
2013-14	-3.8%	-10.3%	-6.6%
2014-15	-6.3%	-7.9%	-6.9%
Average annual change	-5.1%	-9.1%	-6.7%

1.1 Do you agree with Australia Post's volume forecasts for its reserved letter services?

In your view do the forecasts reflect likely long-term demand trends for Australia Post's letter services and your expectations about future usage?

1.2 Do you consider that Australia Post's forecasts reflect the current and future economic climate and its effect on Australia Post's reserved letter volumes?

1.3 What impact do you expect the proposed price increase may have on the demand for ordinary letter services, and over what potential time frame?

2. Australia Post's forecast costs (see section 6 of Australia Post's pricing proposal)

The ACCC will consider the appropriateness of Australia Post's proposed prices by assessing the extent to which they are forecast to recover the efficient costs of providing reserved letter services.

In 2013-14 and 2014-15, Australia Post forecasts its reserved services operating costs to increase by an average of 2.5 per cent per year. Meanwhile its reserved service volumes will decrease by around 6.7 per cent per year.

Table 2 presents Australia Post's forecast changes in its reserved services costs.

Table 2 – Australia Post’s forecast changes in its reserved services costs

Category	2012-13 (actual)	2013/14	2014/15
Total reserved costs (\$m)	1,864	1,936	1,960
Annual change in total reserved costs (%)	-	3.9	1.2

The ACCC seeks comments on the efficiency of Australia Post’s costs of providing its reserved letter services.

- 2.1 What are your views on the efficiency of Australia Post’s cost base, in particular its operating costs for its monopoly letter services?
- 2.2 Do you consider that Australia Post’s price notification demonstrates that Australia Post has taken steps to reduce costs in response to its expectation of declining letter volumes? Please provide supporting reasons for your answer.
- 2.3 In your view, in which areas might Australia Post be able to reduce its costs, while still meeting its community service obligations (CSOs) and performance standards?